

# *The Forest Wars* by Judith Ajani<sup>1</sup>

Synopsis by Margaret Blakers, July 2007

*After four decades, the wars over Australia's forests continue to collect scalps and to make strange bedfellows of politicians. And yet... Australia is in the enviable position of being able to meet nearly all its wood needs from economically superior plantations. We have the potential to benefit fully from the value of native forests as carbon sinks, water catchments and wildlife habitat. There is no irreconcilable conflict between development and environment. [MUP]*

*The Forest Wars* is the successor to the Routley's (now Plumwood and Silvan) influential 1972 expose, *Fight for the Forests*. It explains why the forest conflict has been so intractable, the interests at work to keep it that way, and the opportunity for resolution now if political will is applied.

## Three critical issues

Leadership. In 1995, thirty years after the federal government first intervened in wood production and forest policy to promote softwood plantations and later regulate woodchip exports, the Keating government set in train the process to surrender power and sideline the Commonwealth (ch.1). Subsequently Queensland and WA negotiated political solutions but Tasmania, Victoria and NSW remain mired in controversy and the federal government has not been able to disengage politically or legally (ch 15). Which government will provide the leadership to end the forest wars?

Native forest woodchip exports. The vast majority (80-90%) of native forest logs are woodchipped (p.278) and sold for a fraction of the price promised to growers of plantation chiplogs (p.265). The result is long-term super-profits for export woodchippers (p.245) and a powerful lobby for ongoing native forest logging. This has two costs: native forest values for carbon storage, wildlife and water are destroyed; and prices for hardwood plantation pulplogs are depressed. Which government will take on the woodchip exporters and their CFMEU backers to end export woodchipping and promote domestic plantation processing?

Industry policy. There are two problems with Australia's forest industry policy. First we prop up native forest logging to the detriment of the plantation growers. Second, we prop up raw materials exporting to the detriment of plantation processing. In the 1990s, Australia's softwood plantations came on-stream, eventually displaced (subsidised) native forest sawntimber and now supply 80% of sawntimber and panels production. A decade later we have a glut of hardwood plantation pulplogs entering a stagnant global market (p.263) and facing (heavily subsidised) competition from native forest woodchips. How will the prices received by plantation investors compare with those they were promised and will the government continue subsidising even more plantations through tax-minimising investment schemes?

Political solutions in Queensland and WA show that forest conflict can be resolved by shifting the focus to plantation processing and negotiating a transition out of native forests. Australia has enough plantation wood to meet nearly all its wood needs. Will Australia's other governments rise to the challenge, protect the forests and promote a properly informed modern policy for the plantation-processing industry and its workers?

*The Forest Wars* demands a response from government.

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<sup>1</sup> Published by MUP, July 2007 and widely available in bookshops

## Wood supply<sup>2</sup>

The interests of wood growers (especially public forestry agencies and chip exporters), rather than wood processors, have always dominated Australia's policies for forests and the wood products industry. Australia's \$1.4 billion trade deficit in wood products is due not to a wood shortage but to a shortage of processing investment (p.223, 251).

The softwood plantation story (ch 3, 4). From the 1920s, Australian foresters pursued plans to replace native forests with softwood plantations to supply an anticipated shortage of building timber. In 1967 the Commonwealth, with bipartisan support, agreed to fund state softwood plantation schemes, and the planting rate shot up threefold for the following 15 years. The planting targets were arbitrary; the public agencies were funded at twice the cost per hectare that private growers spent; future wood consumption was over-estimated; and the trees grew faster than projected. Native forests were cleared to make way for the plantations, soon generating the public backlash which triggered the forest wars. The Commonwealth loans eventually totalled \$450 million (05/06 dollars).

The softwood plantings started maturing in the 1980s. Plantation sawmillers targeted the Australian domestic market, taking a 50% share by 1993, which continued to grow by 5% a year for the next decade (p.65). Plantations today supply 80% of Australia's sawntimber and panels production (p.305). Native forest sawmillers, generally small and inefficient, were the competition but, propped up by government subsidies, blocked investment in even more rapid expansion of softwood sawmilling. The commercial damage to the plantation sawmillers was 'huge' (p.76). The surplus softwood logs were exported unprocessed, reaching a rate of 1 million m<sup>3</sup> per annum by 2000 (p.67).

The public paid: we subsidised the softwood plantation establishment; promoted the clearing of hundreds of thousands of hectares of native forest; subsidised native forest sawmills to resist the plantation competition; paid elevated sawntimber prices which promoted competition from non-wood substitutes; and failed to gain jobs and industry development from processing softwood sawlogs domestically. This is truly an industry policy horror story!

The native forest woodchipping story (ch.6, 7). Negotiations to export woodchips began in the late 1960s as clearing for plantations generated large amounts of wood, and rising paper consumption caused Japanese papermills to seek secure long-term wood supplies. The Japanese divided Australia into three supply regions: south-east, Tasmania and south-west, and the first chips were exported from Eden in 1971. The federal government had brought woodchips under export control in 1968, concerned to prevent competition amongst the states from driving down prices (p.99). The requirement for an annual export licence became in the 1980s the mechanism by which the Commonwealth controlled the volume and environmental conditions under which woodchips could be exported and the focus of sustained environmental pressure. This eventually produced the 1994/95 licence renewal debacle and 'Keating's grenade' – the decision to relinquish Commonwealth power over native forest protection and wood exports.

Woodchip exports expanded under every Prime Minister (p.109). When export controls were abandoned as part of the regional forest agreement process, unleashed by PM Keating in 1994 and implemented by PM Howard from 1997 (p.183), export volumes shot up by 60% (p.194), peaking at over 7.5 million tonnes in 2003. The export hike, against a flattening market, was achieved by dropping prices by 20% between 1997 and 2003 (p.246).

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<sup>2</sup> Wood in Australia. 'Softwood' comes largely from introduced species of pine (and is the dominant wood type globally). 'Hardwood' comes from Australia's eucalypts, both native forests and plantations. In most sawntimber products, hardwood and softwood are substitutable. In paper making, long-fibred softwoods are preferred for packaging, newsprint and tissues; short-fibred hardwoods are used in printing and writing papers. Both softwoods and hardwoods can be used in veneer, appearance products, plywood, particle boards and the like. Softwoods and hardwoods compete against each other and against other materials like concrete, steel, bricks and plastics.

Exporting native forest woodchips is super-profitable<sup>3</sup> while sawmilling is marginal at best. As a result, woodchipping is the dominant use of native forests, consuming 80%–90% of logs in the main regions.<sup>4</sup>

The hardwood plantation story. Hardwood planting effectively started in the 1980s and proceeded at a moderate pace until the mid-1990s (p.248). From there the softwood plantation story is replayed: lobbying from public forestry agencies and NAFI lead eventually to the 2020 Vision to treble Australia's hardwood plantations to 3 million ha by 2020. Again: no market analysis, no justification for the target, and generous public subsidies, this time via tax-minimising prospectus investment schemes (p.254). In 1999, 90% of plantations established were prospectus-based.

As with the softwood plantations, planting costs are inflated: approximately double the real cost (\$9286 per hectare in eight prospectuses compared with a real cost of around \$4500 per ha, p.255).

As with the softwoods, wood supply is expanding exponentially with no processing capacity in place. The volume is trebling NOW to 8.3 million m<sup>3</sup> a year (2005-2009) and rising further to 10.8 million m<sup>3</sup> a year from 2010 to 2014 (p.263). This is enough plantation wood to supply three new large-scale pulp and paper mills (Tas, SE SA, WA, p.229).

Promised stumpage prices in plantation prospectuses are \$30-\$46 per m<sup>3</sup>. Stumpage prices for native forest woodchips are \$3.50-\$13.30 per m<sup>3</sup> (p.265).

The big questions: what stumpage price will plantation prospectus companies actually receive? what will happen to all the wood? will the government continue to subsidise even more planting through Managed Investment Schemes?

## A political solution is possible

Queensland (ch.8). Queensland did not have a native forest export industry – it was not part of the early carve-up of Australia's forests for the Japanese paper industry and in the mid-1990s, when a licence was issued, the sawmiller (Hyne Timber) decided against proceeding, partly because of poor woodchip quality and partly to avoid environmental backlash. By the mid-1990s, 60% of Queensland's sawmilling was plantation-based and production doubled in the next ten years (p.141).

Aila Keto (Rainforest Conservation Society) and Rod McInnes (Queensland Timber Board CEO) were the key players negotiating the strategy to meet Premier Beattie's 1998 election commitment to move the Queensland timber industry to plantations. Elements of the solution included: recognition that only plantations could provide 'resource security' for sawmillers; buying out Boral (the biggest sawmiller); immediate protection for high value native forests; increased softwood plantation allocations for some mills; establishing 5000 ha of hardwood sawlog plantations in return for phasing logging out of 350 000 ha of native forest over 25 years. Unspoken, but very important, was the 180 000 ha of softwood plantations which already generated most of Queensland's sawntimber and forest employment.

NAFI attempted to scuttle the deal but was rebuffed. The Queensland Timber Board left NAFI. Queensland did not sign a regional forest agreement. The more politically responsible AWU (not the CFMEU's forestry division) represents timber workers in Queensland.

WA (p.267). Reaction to the 1999 WA RFA, which consigned 60% of its remaining multiple-use old growth forests to woodchipping and charcoal, precipitated a political crisis. The key to the solution was Premier

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<sup>3</sup> SEFE (South East Fibre Exports, formerly Daishowa), the only stand-alone native forest woodchip export company has averaged 34% after tax return on equity for the last 30 years (p.245). The returns of other companies are likely to be similar but cannot be disaggregated from other parts of their operations.

<sup>4</sup> 84% of Tasmanian logs are chipped, 80% in central Victoria, 81% in eastern Victoria, 90% in Eden (p.278)

Court who facilitated a switch by Wesfarmers' woodchipping arm, Sotico, from native forests to hardwood plantations (reducing the cut from 630 000 tonnes of native forest woodchips in 1999 to 270 000 tonnes by 2002). Most of the resource came from regrowth forests. Court implemented or proposed other changes (restructuring of the forest bureaucracy, new national parks, significant reductions in native forest sawlog cut and increased softwood sawmilling) which the ALP implemented and built upon after winning office in 2001. Most important was the immediate cessation of old growth logging. As in Queensland, the CFMEU's forestry division does not represent WA timber workers.

## Key players

NAFI. NAFI was established in 1986 with representation from across the industry (p.120). Robert Bain became executive director in 1988 and consolidated NAFI's focus on native forest logging (p.122). NAFI worked to frustrate potential alliances between the plantation processors and the environment movement: pressuring plantations processors (p.124); demanding the withdrawal of Alan Gray's *Forest Friendly Building Timbers* (p.123); colluding with the ACTU in 1995 to try to discredit the environment movement's Plantation Study (including by threatening the head of ANM Graham Ogilvie to stop him launching the study, p.199). In 1996, plantation processors CSR and Amcor left NAFI, leaving it with no corporate membership from Australia's pulp and paper industry.

The CFMEU. The Forestry Division's policies align with NAFI; they promote continued native forest logging and woodchipping and rarely speak about plantation businesses or employment. The main player is Michael O'Connor who exercises influence in the ALP through a network of relatives, colleagues and politicians, including Martin Ferguson and his brothers, O'Connor's brother Brendan (MP for Gordon) and Julia Gillard (p.132); he is also 'close' to Liberal Senator Ian Macdonald (p.289). O'Connor backed the abolition of woodchip export controls (p.183), was involved in trying to discredit the environment movement's 1995 plantation study (p.210), and ran the pro-logging campaign in the 2004 election culminating in CFMEU support for PM Howard (p.291). He would not be interviewed for the book (p.294).

Plantation processors. Individuals in the plantation processing industry have been supportive of Ajani's work for a decade: they include Henry Pens (CSR), Adrian de Bruin (Auspine), Geoff Bankes (Auspine), Lance Duvall (AKD) and Rod McInnes (Qld Timber Board). Pens and McInnes were interviewed in depth for *The Forest Wars*. They tell a story of intimidation to keep their silence in the forest debate.

Environmentalists. Environmentalists were set up as the 'common enemy' by native forest logging and woodchipping interests, NAFI and the CFMEU in particular (ch.7). The environmentalists recognised in the 1980s that plantations provided a solution to the native forest conflict and have worked consistently to see plantations brought back into the forest debate and native forests protected.

## Public policy failure

Above all, this is a story of policy failure by successive governments (ch.9) and uncritical myth-peddling by most politicians. Four major government inquiries from 1989 to 1991 failed to point out clearly that softwood plantations *alone* could meet virtually all of Australia's sawntimber needs (1989 Resource Assessment Commission; 1990 National Plantations Advisory Committee; 1991 Ecologically Sustainable Development Forest Use Working Group; 1992 Industry Commission). Not one regional forest agreement (RFA) included plantation processing among the options presented for public consideration although substantial plantation resources were available in every region except East Gippsland (p.191). The Senate Inquiry into the RFA Bill was advised but ignored the omission.

## What next

Since the publication of *The Forest Wars* and with the federal election looming, this story is moving at lightning pace -- politically, commercially, in the forests and in the courts.

### Policies of the alternative federal governments

The Labor Party. Mr Rudd is stuck in the forest wars. He has adopted Mr Howard's 2004 election policy, promising 'no further lock-ups' of native forests, and failed completely to grasp the difference between the competing native forest and plantation based industries. He is recycling the myth of 10 000 forestry jobs in Tasmania, unaware that this figure is inflated and includes plantation sector jobs. Auspine -- entirely plantation based -- makes most of Tasmania's sawntimber and most of Tasmania's paper is now plantation based. Australia-wide, probably 80% of jobs are plantation-based and therefore completely unaffected by an increase in native forest protection. Predictably the CFMEU's Michael O'Connor has emerged to give Mr Rudd his union's total support, as he did for Mr Howard in 2004. NAFI is also in support. More information: [www.alp.org.au/media/0707/msenhforloo230.php](http://www.alp.org.au/media/0707/msenhforloo230.php)

The Liberal Party. No announcement as yet and the ALP has left the field wide open.

### Next stop for native forest woodchips?

Forest furnaces?. As the market for native forest woodchip exports tightens, NAFI is strongly promoting the burning of 'wood waste' to generate electricity. It claims that 7 million tonnes of wood per annum are available from native forests and plantations, unsurprisingly about the same quantity as currently exported. If implemented, this would complete the tumble of native forest logs down the value chain from sawlogs, to pulplogs to fuelwood.

And pulpmill subsidies? Despite the glut of hardwood plantation pulplogs, Gunns' proposed Tasmanian pulpmill plans to use native forest woodchips. There is no domestic market for hardwood pulp and the price for globally traded pulp has fallen steadily since 1970 (p.302). How then can the pulpmill be viable? Maybe it is not! But if it is, part of the reason will be that Forestry Tasmania has committed to supply native forest woodchips much more cheaply than the prospectus price promised to investors in hardwood plantations. Which leaves the interesting question of where Gunns will sell its own hardwood plantation woodchips and at what price.

NB. Gunns' take-over bid for softwood sawmiller Auspine closes (at present) on 10 August. Simultaneously swallowing a large mainland-based softwood company and building a pulpmill will be a challenge.

### In the courts

Federal approval for Gunns pulpmill. Federal Environment Minister, Malcolm Turnbull, has to assess some impacts of the proposed pulpmill under the Federal Environment Protection and Biodiversity Conservation (EPBC) Act. TWS and Investors for the Future of Tasmania (a group of small businesses) have challenged Minister Turnbull's decision to restrict his assessment to 'preliminary documentation'. The judgement is expected in early August 2007.

Wielangta case. Senator Bob Brown successfully challenged the Tasmanian regional forest agreement in 2006, on the basis that three federally listed endangered species were significantly impacted by logging. As a result, logging in Tasmania's Wielangta forest is suspended. Forestry Tasmania has challenged the decision. The appeal will be heard in Hobart beginning 13 August 2007.

More information: [www.on-trial.info](http://www.on-trial.info)