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Review of Taxation of Plantation Forestry
C/- Department of Treasury
Langton Crescent
Parkes ACT 2600

Submission by Timber Communities Australia

Timber Communities Australia is the peak national grassroots community support group. Supporting and representing rural communities and their people, who rely to varying degrees on timber and timber products for their viability. We are proud of our 13,000 strong membership database and openly acknowledge that we not only support our membership but the wider rural community through our extensive national branch network.

Our members represent forest growers (native and plantation), millers, forest harvesting and haulage contractors, forest nurseries and most importantly their staff and families. In addition our membership represents the broader community including doctors and hospital staff, teachers and local schools, family businesses and people who are supported by the flow on effects that arise from a vibrant, healthy and wealth creating forest sector.

Australia's forestry sector is a major employer group (over 134,00 people). We are proud that forestry is included in the top ten of Australia's manufacturing sector; indeed, when forest growers and wood procurement are factored in, forestry manufacturing is ranked second of all Australia's manufacturing sectors.

The importance of this sector highlights that this issue is not just about putting trees in the ground but more importantly it is about examining the social and economic effects that those trees are having on our rural communities. It is about jobs, people, the social well being of our rural communities, diversification of land uses and decentralising of downstream processing.

This submission will address these issues and the positive impacts that Forestry Managed Investment Schemes (MIS) are having on our rural communities.

Investment in rural communities

Today's Government's do not fund services and programs in the manner in which they did from the 1950s to the 1980s. In the past plantation establishment was the domain of the various agencies (e.g. Forestry Commission of NSW) responsible for the management of each State's timber resources. Funding was provided by the Commonwealth Government, through long term loans at attractive interest rates. Today, governments focus on creating the right climate for attracting private investment, as opposed to direct funding. MIS is an important example of this changed policy environment.

For the plantation sector to continue to expand to meet the ever increasing demands of Australia's growing population base, other funding arrangements more suited to today's political climate are required. Forestry MIS has stepped up to the mark and is enhancing the flow of private investment through to rural communities.

Because Forestry MIS is investing in an agricultural pursuit other than sheep, beef, dairying or cropping, the economic base of communities that are receiving this investment is broadening and as a result these communities are becoming more economically resilient and hence more socially sustainable. Forestry MIS has a positive influence on population numbers and demographics. It can result in an increase in the average family income and provides a valuable source of off farm income (Schirmer *et al*, 2005).



Michael and Anne Platts, Monaro Native Tree Nursery

Up on the windswept Monaro plains former shearer, Michael Platts and his wife, Anne Platts, a former school teacher are generating new jobs and playing a big role in reforestation and carbon sink

business in country NSW and Victoria.

The Platts produce over 70,000 tree seedlings per day, of which 60% are radiata pine with the balance split between plantations and revegetation hardwoods.

"If there were any changes to current MIS regulations, which apply to all forms of agriculture and not just plantations it would have serious ramifications for about 60% of our workforce" noted Michael Platts recently.

Rural change

In areas with a major plantation base and downstream processing facilities there has been a significant increase in the number of people of working age within the population, in comparison to agricultural areas without plantations and wood processing facilities. (Schirmer *et al*, 2005).

One explanation for this is that wood processing facilities are located in proximity to the plantation resource. This results in a concentration of employment opportunities for both contractors and employees from local communities.

TCA has established its outreach program 'Trees Grow Communities' to provide information about the positive benefits that plantations bring to rural communities and to allay any fears about plantation establishment. In south eastern NSW a campaign of misinformation has been successfully refuted through the provision of real data, allowing the local community to make its own determination about the impact of plantations. For instance in the community of Bombala 46% of the landscape is devoted to traditional agriculture, just 4% has been purchased by Forestry MIS with less than 3% established to radiata pine.



Gavan, Susi and Anthony Landini

what we needed to live due to depressed commodity prices and ongoing drought.

"Plantation forestry has brought economic stability to this community and if MIS was stopped or altered families like us would lose" said Gavan Landini.

Landini Rural, with over 15 local staff members, is looking to expand its business through its partnerships with Forestry MIS companies. We started of in Agriculture, but it just couldn't pay

Employment in the plantation sector

MIS plantation expansion is one of the few industries capable of stopping and even reversing the loss of population associated with rural change. Every MIS tree farm requires labour for the establishment, ongoing management and harvesting and haulage requirements of this industry.

Where tree farm establishment is occurring, local workforces are regularly bolstered by new workers and their families (Schirmer *et al*, 2005).

Forestry MIS is a wealth creating and sharing enterprise, as a majority of the employment in the establishment, harvesting and transport is contracted out mostly to local family businesses. This has given rise to large numbers of contractors expanding their businesses in areas where plantation growth is occurring.

Local contractors purchasing locally, spread the wealth brought to rural communities by Forestry MIS. Indeed many Forestry MIS companies have local purchasing policies which channel Forestry MIS investment into local economies.



Toyota Dealer Mike Cottrell

Mike Cottrell says that balance between forestry and traditional agriculture is important to the future of his community.

In the past, the hardest thing for a community like ours has been that everyone has been so reliant on agriculture.

Agriculture is hard work and people are getting older, kids are looking at their parents and are saying to each other that there has to be a better life than this.

Economically and socially we have to have balance between all the activities that contribute to our economy."

When the plantation sector is in the establishment phase, site preparation and planting are often carried out by local farmers, which is an important supplement to farm income.

Education and skills development

Plantation management establishment, harvesting, haulage and downstream processing require a highly skilled and well trained workforce. Forestry MIS companies are investing in skills training in local communities helping to retain workers, especially young people. In short, keeping young families in their own rural communities.

Forestry MIS are forging strong partnerships with local communities and education providers. In Bombala (NSW) Wilmott Forests have formed a strong relationship with the local high school and are participating in vocational training programs providing scholarships and further education opportunities.

In Mount Gambier (SA) the Cut Above program is actively training skilled workers for the plantation industry, and in response to industry demand, Southern Cross University has established a Forestry Course in Mt Gambier.

Plantation workers are recognizing the long term career opportunities that are opening up for them, opportunities that now exist for all people who work within the plantation sector, opportunities that would not exist without an expanding forestry MIS.



Plantation Forest Manager Andrew Power

"I come from a family of farmers and my Mum still owns land."

Forestry is driven by professionalism in a way never encountered in his past life as a shearer, says plantation forests manager Andrew Power.

"Forestry MIS has enabled me to do further study and increase my training. I now have an advanced Diploma in Forestry from the University of Melbourne campus in Creswick in Central Victoria."

Andrew has benefited from working for a Forestry MIS company with a keen interest in skills development. "If it wasn't for Wilmott I wouldn't be where I am now. I have moved up in the company fairly quickly and I can make a career out of this."

Social benefits associated with plantation establishment

With plantation establishment and growth, rural communities can experience an increase in population, which in turn, results in increased participation in local sport (football, cricket, tennis, squash). The flow on is also evident in the arts and community services such as Apex, Rotary, CWA, Schools Parents and Citizens associations and other community focused groups. Many towns around Australia proudly boast of when they fielded teams in all grades of sports.



Plantation Field Officer, Chris Anderson

Seventeen year old, up and coming, rugby league star, Chris is carving a career in plantation forestry, when he is not carving up winter paddocks in the local rugby league competition.

"Dad was a farmer and Mum a housewife and I was educated at

the local high school, which I left after completing year ten."

"I'd still be at school if I didn't have this job, because there is no other work locally and I want to stay in town. I started work here just over twelve months ago and the company have given me the chance for ongoing education and training and I want to keep doing it".

Chris also has a brilliant career in the local and representative rugby league and lists his pastimes as rugby league, fishing and backyard cricket at Mum's.

With a change in population base many towns now struggle to field even one team and then not in all sports. Increased population associated with plantation expansion and more importantly its young people, is resulting in towns such as Mount Gambier, Tumut, Bombala, and Mt Barker having higher participation rates in local sporting activities. Its not only fun but it is healthy!

Preolenna, in Tasmania, is an example of how Forestry MIS can help to sustain tiny communities by increasing the diversity of the economic base. Just recently Preolenna, a township of no more than a few hundred people, held a festival to celebrate the resurrection of their town hall and raised more than \$8,000 towards its restoration and maintenance. Whilst this may not seem like much, without Forestry MIS Preolenna would have ceased to exist some years ago as the local farming community was unable to sustain the local community.

The community of Hamilton in Victoria is another example of where Forestry MIS is helping to sustain a rural community. A traditional farming area, Hamilton and the surrounding district, was experiencing rural decline due to a number of factors including: market downturn, reduced commodity prices and the effects of prolonged drought .

Councillor Howard Templeton, from the Southern Grampians Shire Council, says " you only need to drive down Gray Street and you can see the positive impacts the plantations investment is having on the community. There is not one empty shop. The town is thriving, thanks to a more diverse agricultural industry, which includes its major investor the plantation sector."

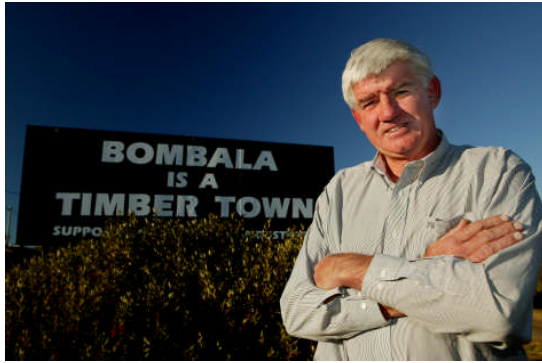
The pulp mills, proposed for Penola and Heywood in the Green Triangle, will be resourced by Forestry MIS company Timbercorp from their plantations in the region.

Regional Forest Agreements

Communities such as Bombala suffered a severe downturn in commerce associated with the shock of the Regional Forest Agreement (RFA) process and outcomes. The removal of a large percentage of native forest from production into conservation management forced communities to look at other industries for their towns survival. In many regions there has been no other industry available to lessen the impact of RFA decisions. The traditional agricultural sector was unable to cushion the resultant economic downturn that accompanied the RFA decisions.

Forestry MIS has demonstrated its capacity to provide employment and security to towns affected by the RFA's. In Bombala, local forest grower, processor and MIS company Wilmott Forests has filled the void and thrown a lifeline to the town by purchasing two local sawmills. Upgrading one and upgrading and reopening the other.

Wilmott Forests are now the major employer in the Bombala region, employing over 135 people in its sawmills and over 35 people in its forest growing and management sector. This is a clear demonstration of how Forestry MIS is important to rural communities. Wilmott Forests have only this month announced a multimillion dollar upgrade to their processing facilities in Bombala.



Bombala Mayor, Councillor Bob Stewart

“When the Government sent the hardwood industry down to Eden in 1996 it brought Bombala to its knees, it was gone, but then Willmott forests came along”

According to the Bombala Mayor, Cr Bob Stewart, the pine plantation and processing business brings

substantial economic benefits to the regional community.

“ That’s why as a council we haven’t gone over to one side or the other in the debate about land use. We know the value of jobs for kids out there in the plantations and the sawmills.”

Cr Stewart commented that the 4% of land held by Forestry MIS in his LGA was not significant alongside the 46% in rural holdings.

I’ve got to be careful here because I’m in the agricultural business myself” I’ve got a farm”. Cr Stewart went on to say that “we’re not against plantations they are absolutely tremendous”.

As a result of the decisions taken by Forestry MIS and the resulting change in population the NSW Government has announced an upgrade to the Bombala hospital. Similarly, the local Westpac bank, which was forced to reduce its operations to three days per week after the RFA, has in the last 3 months found that the demand is high enough, that they now open full time, 5 days a week. The rising population, resulting from Willmott Forests investments in the local community, has been a definite positive contribution to these decision.

Improved Property Values

Recent research by the Australian Bureau of Rural Sciences (Schirmer *et al*, 2005) has identified the ‘Tree Change’ syndrome as a major driver of rural property prices, this is supported by data from the Elders Rural Property Index (Elders, 2005). People dissatisfied with the hectic pace of cities and city lifestyles are actively seeking the quieter lifestyle associated with rural communities. ‘Cashed up’ city investors and tree changers are a driving force in the increased markets for available rural property.

Another driver identified by Elders (2005) is the changing face of the dairy industry. Consolidation and competition for prime dairy land within the local dairy industry is intensifying. Coupled to this is a move into the dairy farm market by international dairy companies (primarily from south east Asia and New Zealand).

Forestry MIS accounts for just 3% of all rural property transactions over the last three years (Elders, 2005). It is clear that the Forestry MIS sector is not the principle driver of rural property price increases.

It should not be forgotten that real estate prices, across all market sectors, have risen sharply over the last ten years. Farmers and other land holders who sell their properties are currently receiving healthy prices that are allowing them to fully retire debt and purchase elsewhere. Farmers who are electing to remain in agribusiness are also reaping the benefits of higher property prices through an increase in farm equity.



Jock Mason, Mason's bulldozing and earthmoving

Up in the hills near Tumut, bulldozing entrepreneur Jock Mason, says that forest plantation contracting has helped his family to retire farm debt for the first time in years.

"We run three properties in the district carrying around 400 head of Black Angus cattle and 3000 head

of merino ewes, producing cross bred fat lambs".

"Dad saved the farm by going out on the road as a contractor when our debt was more than the farm was worth" says Jock.

About 80% of Jocks work is for plantation companies and involves first rotation site works. He employs seven staff and runs four machines working 12 hours each day.

"The harder I work the more business I generate. Now you can't do that on a farm when things stack up against you, as they do"

IN CONCLUSION

Forestry Managed Investment Schemes
and plantations
are a rural reality.

Forestry MIS provide investment funds that flow through to rural communities, funds that provide wages for workers both directly and indirectly, working for and around plantations. These wages are spent locally at supermarkets, café's, pubs and clubs, petrol stations, car dealerships, landscape suppliers, medical centres, pharmacies, hair dressers, and bakeries,

to name just a few, and are invested in local banks, schools, hospitals, and other service, sporting, cultural and community groups.

Local earning and local spending is what really sustains our rural communities.

TCA urges the Howard Government to retain, in its present form, the taxation arrangements for our Forestry Managed Investment Schemes. If the current taxation arrangements are removed, or altered to an extent that makes Forestry MIS unattractive as an investment, then the demonstrated social and economic benefits that have accrued to rural communities will cease to flow. Such an outcome would be perverse given the Howard Governments demonstrated commitment to the social and economic wellbeing of rural and regional Australia.

Timber Communities Australia is working with rural communities to allay any unnecessary fears that trees are taking over the landscape. Not only should the Howard Government maintain the effort to invite investment companies into these regions but should assist in the broader community to educate people about growth, change and ongoing sustainability provided by the Forestry Managed Investment Schemes.

References:

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