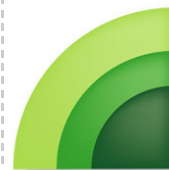




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The logging industry has become a taxpayer-funded mess

# It's just pulp fiction



The forestry crisis offers a once-in-a-lifetime chance to restructure the industry away from logging native forest, says **LESLIE WHITE**

ONE of the silliest things about logging native forest is that it's costing us money.

Taxpayers are forking out millions to prop up the state government agencies doing it — who in turn are making losses.

Of course the logging also releases untold tonnes of carbon while Australia aims to plant monocultures to sequester it — on food-producing land.

Which is as clever as pouring your milk on your carpet while also dropping rags to soak it up.

The logging industry is a mess.

Gunns is being sued by shareholders in a class action alleging deceptive conduct and its shares have crashed to a 10-year low.

Paperlinx has shut the Wesley Vale and Burnie mills. NSW company Hardwood Resources is in liquidation and Timbercorp, Great Southern and Forest Enterprises Australia have collapsed.

And the states still logging native forest lost money on it last year.

VicForests says it lost \$5 million, though conservation groups say a \$29 million "royalty" disguised an actual loss of \$34 million.

Even at \$5 million, that's a loss of \$38,461 for each of VicForests' 130 employees. NSW Forests lost \$13 million and Forestry Tasmania ran at a loss too.

The Tasmanian forestry industry has received almost \$1 billion in aid since 1988, including \$3.6 million last week.

Worse, critics argue VicForests, NSW Forests and Forestry Tasmania have an unfair advantage over plantation companies — they don't buy the land they log, or pay rates on it, or pay for the trees they log.

They have virtually free access to a public asset and still lose money.

Yet Forestry SA logs only plantation and will profit this year.

The Japanese market takes 85 per cent of Australia's chips and is moving toward ethical sources — plantation timber.

Gunns, which logs native forest, has had orders cancelled, but plantation company Elders has contracted all its pulp for this year.

The world pulp market is hopelessly oversupplied and will be for years.

Ending native forest logging would reduce the world wood-chip glut by five million cubic metres a year. That's about the same amount Australia produced from plantation last year.

We will produce far, far more as established plantations mature as of this year.

Plantation pulp attracts a premium because it is of superior quality and most has environmental accreditation: plantation chips fetch \$207/tonne, native forest chips \$184/tonne.

And 95 per cent of house-frame timber comes from plantation. We don't need native forest for houses.

Plantation should be left to grow for longer to produce sawlogs and furniture rather than just pulp.

But there is no incentive for plantation companies to do this, or invest in sawmill technology to create better products, while taxpayer-supported native forest logging supplies cheap timber.

The Australian Bureau of Agricultural and Resource Economics' Forest Investment Paper, released this year, detailed barriers to investment in plantation. The paper said: "The public management of... native forests combined with a lack of competitive processes for the pricing and allocation of logs... (has) the potential to effectively crowd out private-sector investment."

It said the plantation sector had to compete with "largely state government-managed native forest products".

The government agencies can sell the native product cheaply because they don't face real market forces. The plantation sector then suffers.

So the Federal Government uses a mechanism to attract investment in plantation forestry and help it compete: managed investment schemes, which provide a 100 per cent up-front tax deduction to investors.

Native forest logging is propped up by our taxes while our taxes also help plantation timber to compete.

Their products may not compete directly in all the same markets currently, but there is nothing we get from native forest that we could not get from plantations if we planned for it.

Instead of propping up native forest logging, which loses money anyway, let's invest in plantations.

The plantations would no longer need support from tax breaks that distorts markets.

Labor is in power federally in all states that log significant volumes of native forests.

The current crisis is a once-in-a-lifetime chance to restructure this industry into something sustainable, ethical and viable.

Let's not miss it.

● **Leslie White is The Weekly Times national affairs reporter**

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**Tall order:** state-controlled forestry industries have been given a free ride at the expense of private-sector plantations, which then have to be propped up with tax breaks.